

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



08030212

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CS Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

11601 Wilshire Blvd.

(No. and Street)

Los Angeles, CA 90025

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

George Russo

805-573-1856

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Novogradac & Company LLP

(Name - if individual, state last, first, middle name)

246 First Street, 5th Floor

San Francisco

CA

94105

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

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FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

W3/20

OATH OR AFFIRMATION

I, George M. Russo, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CS Securities, Inc., as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

see attached



Rutzel M. Castillo
Notary Public

[Signature]
Signature

Financial Operations Principal
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CALIFORNIA JURAT WITH AFFIANT STATEMENT

- ☒ See Attached Document (Notary to cross out lines 1-6 below)
☐ See Statement Below (Lines 1-5 to be completed only by document signer[s], *not* Notary)

1

2

3

4

5

6

Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

State of California

County of LOS ANGELES

Subscribed and sworn to (or affirmed) before me on this

28th day of February, 2008, by
Date Month Year

(1) George [Signature]
Name of Signer

proved to me on the basis of satisfactory evidence
to be the person who appeared before me (.) (.)

(and

(2) _____
Name of Signer

proved to me on the basis of satisfactory evidence
to be the person who appeared before me.)

Signature

Signature of Notary Public



Place Notary Seal Above

OPTIONAL

*Though the information below is not required by law, it may prove
valuable to persons relying on the document and could prevent
fraudulent removal and reattachment of this form to another document.*

Further Description of Any Attached Document

Title or Type of Document: Annual Audited Report -
CS Securities Inc.

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

RIGHT THUMBPRINT
OF SIGNER #1
Top of thumb here

RIGHT THUMBPRINT
OF SIGNER #2
Top of thumb here

CS SECURITIES, INC.
FINANCIAL STATEMENTS
and
SUPPLEMENTAL INFORMATION
For the years ended December 31, 2007 and 2006
with
Independent Auditors' Report

CS SECURITIES, INC.
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For the years ended December 31, 2007 and 2006

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OATH OR AFFIRMATION

I, _____, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of _____, as of _____, 20____, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Signature

Title

Notary Public

This report ** contains (check all applicable boxes):

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- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Independent Auditors' Report

To the Board of Directors of CS Securities, Inc.:

We have audited the accompanying statements of financial condition of CS Securities, Inc. as of December 31, 2007 and 2006, and the related statements of operations, changes in stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CS Securities' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CS Securities, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 11 to 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Novogradac & Company LLP

San Francisco, California
February 25, 2008

CS SECURITIES, INC.
STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,880	\$ 23,879
Prepaid expenses	<u>12,000</u>	<u>-</u>
Total current assets	<u>29,880</u>	<u>23,879</u>
 Total assets	 <u>\$ 29,880</u>	 <u>\$ 23,879</u>
 LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,250	\$ 4,695
Due to related party	-	4,500
State taxes payable	<u>800</u>	<u>800</u>
Total current liabilities	<u>6,050</u>	<u>9,995</u>
 Stockholder's equity:		
Common stock, \$0.10 par value; 100,000		
shares authorized, issued and outstanding	10,000	10,000
Additional paid in capital	30,000	15,000
Accumulated deficit	<u>(16,170)</u>	<u>(11,116)</u>
Total stockholder's equity	<u>23,830</u>	<u>13,884</u>
 Total liabilities and stockholder's equity	 <u>\$ 29,880</u>	 <u>\$ 23,879</u>

see notes to financial statements

CS SECURITIES, INC.
STATEMENTS OF OPERATIONS
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUE		
Interest income	<u>\$ 1,021</u>	<u>\$ 849</u>
EXPENSES		
Accounting and legal	17,220	17,250
General and administrative	22,691	22,205
Insurance	<u>364</u>	<u>494</u>
Total operating expenses	<u>40,275</u>	<u>39,949</u>
Net operating loss	<u>(39,254)</u>	<u>(39,100)</u>
OTHER INCOME		
FINRA Refund	<u>35,000</u>	<u>-</u>
Net loss before provision for state income taxes	(4,254)	(39,100)
Provision for state income taxes	<u>(800)</u>	<u>(800)</u>
Net loss	<u><u>\$ (5,054)</u></u>	<u><u>\$ (39,900)</u></u>

see notes to financial statements

CS SECURITIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
For the years ended December 31, 2007 and 2006

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	Total Stockholder's Equity
Balance, January 1, 2006	100,000	\$ 10,000	\$ -	\$ 28,784	\$ 38,784
Capital contributions	-	-	15,000	-	15,000
2006 net loss	-	-	-	(39,900)	(39,900)
Balance, December 31, 2006	100,000	10,000	15,000	(11,116)	13,884
Capital contributions	-	-	15,000	-	15,000
2007 net loss	-	-	-	(5,054)	(5,054)
Balance, December 31, 2007	<u>100,000</u>	<u>\$ 10,000</u>	<u>\$ 30,000</u>	<u>\$ (16,170)</u>	<u>\$ 23,830</u>

see notes to financial statements

CS SECURITIES, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net loss	\$ (5,054)	\$ (39,900)
Adjustments to reconcile net income to net cash used in provided by operating activities:		
Increase in prepaid expenses	(12,000)	-
Increase in accounts payable and accrued liabilities	555	4,695
Decrease in due to related party	(4,500)	(15,800)
Decrease in state taxes payable	-	(1,545)
Net cash used in operating activities	<u>(20,999)</u>	<u>(52,550)</u>
Cash flows from financing activities:		
Capital contributions	<u>15,000</u>	<u>15,000</u>
Net decrease in cash and cash equivalents	(5,999)	(37,550)
Cash and cash equivalents at beginning of year	<u>23,879</u>	<u>61,429</u>
Cash and cash equivalents at end of year	<u>\$ 17,880</u>	<u>\$ 23,879</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	<u>\$ 800</u>	<u>\$ 2,345</u>

see notes to financial statements

CS SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006

1. Organization

CS Securities, Inc. ("CSS"), a California S-Corporation, was formed on January 18, 1996 to operate as a licensed broker-dealer pursuant to Section 15(b) of the Securities Exchange Act. CSS's purpose, as a licensed broker-dealer, is to act as a finder in connection with real estate holding companies' liquidation of real estate holdings. In addition, CSS may also structure and sell private offerings on a best efforts basis to institutional investors only.

CSS is exempt from special reserve requirements for brokers and dealers under Rule 15c3-3 of the Securities and Exchange Commission. This exemption is claimed under Section (k)(2)(i). CSS is a member of Financial Industry Regulatory Authority (the "FINRA").

2. Summary of significant accounting policies

Method of accounting

CSS prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. CSS's year end for tax and financial reporting purposes is December 31.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less at date of acquisition.

Income taxes

CSS has elected to be taxed as an S corporation on its federal and California income tax returns. As an S corporation, CSS is generally not subject to federal income tax and is subject to California income tax at a reduced rate of 1.5%.

Concentration of credit risk

CSS places its temporary cash investments with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. CSS has not experienced any losses in such accounts.

Revenue recognition

Consulting revenue is recognized at the completion of sales transactions or the trade date.

CS SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006

3. Net capital

CSS is subject to the net capital requirements of the FINRA and the Uniform Net Capital requirements of the Securities and Exchange Commission (the "SEC") under rule 15c3-1. The FINRA and the SEC requirements also provide that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met. CSS does not receive or hold customer securities or cash. Minimum net capital required by the SEC under Rule 15c3-1 is the greater of \$5,000 or 6.67% of aggregate indebtedness, as defined. As of December 31, 2007 and 2006, CSS had net capital of \$11,472 and \$13,406, respectively, and required net capital of \$5,000.

4. S-corporation status

CSS has elected under the Internal Revenue Code to be an S-corporation. An S-corporation does not pay federal income tax and pays state income tax at a rate of 1.5% with a minimum franchise tax of \$800. In lieu of corporation income taxes, the shareholders of an S-corporation are taxed on their proportionate share of the corporation's taxable income. As of December 31, 2007 and 2006, CSS has one shareholder.

5. Related party transactions

William Chadwick is the 100% sole shareholder of CSS. Mr. Chadwick also has a 41.25% interest in Chadwick, Saylor & Co., Inc. ("CSC"). CSC charges CSS for general and administrative overhead on a monthly basis pursuant to an Expense Sharing Agreement between CSC and CSS dated April 7, 2005. During 2007 and 2006, \$18,000 and 18,350, respectively, was charged to CSS. As of December 31, 2007 and 2006, \$0 and \$4,500, respectively, was payable to CSC, and is included in due to related party in the accompanying statements of financial condition.

6. FINRA Refund

During 2007, CSS received a refund from FINRA in relation to the consolidation of the National Association of Securities Dealer and New York Stock Exchange Member Regulation. The one-time, special payment of \$35,000 is recognized as other income on the accompanying statements of operations.

SUPPLEMENTAL INFORMATION

CS SECURITIES, INC.
RECONCILIATIONS OF NET CAPITAL AND
COMPUTATIONS OF NET CAPITAL UNDER RULE 15c3-1
SCHEDULE I
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Total stockholder's equity at end of year	\$ 23,830	\$ 13,884
Adjustments:		
Non-allowable assets	(12,000)	-
Securities haircut - Money market fund	<u>(358)</u>	<u>(478)</u>
Net capital	<u>\$ 11,472</u>	<u>\$ 13,406</u>
Aggregate indebtedness ("AI")		
Total liabilities in statements of financial condition	<u>\$ 6,050</u>	<u>\$ 9,995</u>
Computation of basic net capital requirement:		
Minimum net capital required (6.67% of AI)	<u>\$ 404</u>	<u>\$ 667</u>
Minimum dollar net capital required	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Minimum net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital	<u>\$ 6,472</u>	<u>\$ 8,406</u>
Excess of net capital at 1,000% (net capital - 10% of AI)	<u>\$ 10,867</u>	<u>\$ 12,407</u>
Percentage of aggregate indebtedness to net capital	<u>52.74%</u>	<u>74.56%</u>

CS SECURITIES, INC.
RECONCILIATIONS OF NET CAPITAL PER AUDITED
AND UNAUDITED FOCUS REPORTS
SCHEDULE II
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Net capital per unaudited FOCUS report	\$ 16,872	\$ 7,706
Audit and other adjustments	<u>(5,400)</u>	<u>5,700</u>
Net capital per auditors' computations	<u>\$ 11,472</u>	<u>\$ 13,406</u>

CS SECURITIES, INC.
EXEMPTIONS FROM CUSTOMER PROTECTION RULE 15c3-3
For the years ended December 31, 2007 and 2006

Exemptive provision:

In the opinion of management, CS Securities, Inc. is exempt from the provisions including information relating to the possession or control requirements and the computation for the determination of reserve requirements pursuant to Rule 15c3-3. The firm operates under the 15c3-3(k)(2)(i) exemption in that CS Securities, Inc. does not receive, hold or otherwise perform custodial functions relating to customer securities.

Independent Auditors' Report on Internal Control Required by SEC RULE 17a-5

To the Board of Directors of CS Securities, Inc.:

In planning and performing our audits of the financial statements and supplemental schedules of CS Securities, Inc. (the "Company"), for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Norgradue & Company CP

San Francisco, California
February 25, 2008

END